



Living Wage Now

The Economic Impact of the Minimum Wage on Black Minnesotans

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Background

The Minnesota State Legislature considered measures in the 2013 legislative session that proposed to raise the minimum wage to \$9.50 by 2015.¹ The current minimum wage for the state stands at \$6.15 an hour for large employers, and is trailing behind the federal level of \$7.25 an hour.

The current minimum wage rate is also trailing behind inflation levels and average wages in Minnesota's economy generally. There is irrefutable evidence that the current minimum wage for the state is low and relegates low-income earners to a perpetual cycle of poverty.

Raising the minimum wage would mean better wages for close to 357,000² workers, which would increase consumer purchasing power and lift thousands of low-income people out of poverty. An estimated 23,540 of these workers are people of African descent, who would receive a potential wealth boost of up to \$31 million.

¹ The State of Minnesota House of Representatives passed a measure to raise the minimum wage to \$9.50 by 2015, but the State of Minnesota Senate passed its own version of the bill, increasing the wage to \$7.75 an hour. Negotiators from the two chambers will need to iron out their differences before a wage hike can go into effect.
http://mn.gov/deed/images/Cost_of_Living_Study_Annual_Report.pdf

²
http://www.jobsnowcoalition.org/reports/2013/raise-for-mn_jobsnow2013.pdf

This policy brief presents a brief analysis on the possible economic impact of this wage increase on people of African Descent. Those who do not support raising the minimum wage argue that doing so would reduce the number of jobs available for low-wage workers despite available evidence to the contrary.

This paper combines income data from the Minnesota Department of Labor and Industry and from economic trends. It is by no means a comprehensive study but is a useful tool for legislators to use as they consider a minimum wage increase in the 2014 legislative session.

28.2%

of the 93,172 households of African Descent in Minnesota would benefit from a minimum wage increase

It presents the view of the Council on Black Minnesotans (COBM) on the minimum wage discussions. We contend that raising the minimum wage has visible benefits for people of African descent and for many other poor families.

The Economic Position & Role of Black Minnesotans

The wealth gap between the rich and poor has significantly widened in the USA to the extent that policy makers at both

federal and state level are beginning to pay more attention. People of African descent have felt this gap more prominently because of structural and historical forces that continue to relegate them into poverty.

Black Capital in Minnesota, 2013

**\$3 Billion
in Consumer Power**

**287,165
People of African Descent**

Ranked as a group, Black Firms would be the 21st largest employer in MN.

African immigrants make up 25% of the Black population and 18% of all immigrants in MN.

People of African descents pay almost half a billion in state and local taxes annually in Minnesota.

Source: Corrie, B.P (2013)

Out of close to 357,000 minimum wage earners in Minnesota, at least 23,540 of them are of African descent. Almost 20% of these workers earn an annual salary of less than \$10,000, which explains why the majority of black workers remain trapped in poverty. Clearly, their take-home income falls far below the living wage, which is currently estimated at \$14 an hour.³

This is not to say that black people do not make a meaningful contribution to the Minnesota economy. A study by Corrie(2013), and COBM, *Black Capital* clearly demonstrates the economic role of Black Minnesotans as shown in box 1. *Black Capital* estimates that black

Minnesotans contribute \$3 billion to Minnesota's economy in consumer spending. Corrie (2013), notes that, "people of African descent pay an estimated \$489 million in taxes annually in Minnesota state and local taxes". Workers of black descent are estimated to pay \$28 billion in state and local taxes over their lifetime earnings.

Share of Black People Receiving Minimum Wage and Effect On Household Income

- Information from the U.S. Department of Labor (DOL) shows that only 10% of households in

³ Minnesota's Cost of Living Study 2014 Annual Report to the Legislature as required by 116J.013 estimates a living wage in Hennepin County at \$18.53 an hour per worker for a family of four with two working parents.
http://mn.gov/deed/images/Cost_of_Living_Study_Annual_Report.pdf

Minnesota will benefit from the proposed minimum wage.

- Data from DOL also shows that at least 30% of workers who earn minimum wage in Minnesota are individuals of African descent.
- The Jobs Now Coalition estimates that a \$9.50 minimum wage increase would boost Minnesota's black community's wealth by \$31 million.

The Minimum Wage & Its Effect On Future Employment Prospects of Black Minnesotans

There has been debate that raising the minimum wage to about \$9.50 would negatively impact low-skilled, black workers, as employers would create few jobs. Fortunately, there is evidence to suggest that, "Low-income workers as a whole end up considerably better off after the minimum wage is raised".

This is because the weekly earnings gains enjoyed by low-wage workers who remain employed is considerably larger than the weekly earnings lost as a result of lower employment" (Butles, 2013).

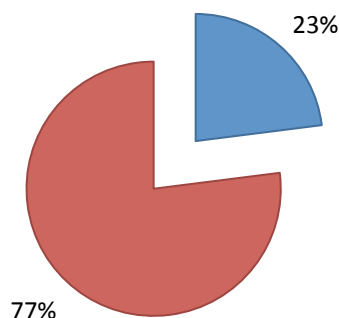
There is no doubt, therefore, that "the main effect is going to be low-wage workers will have a higher pay today than they had yesterday and there will be virtually no detectable effect on employment."

Minnesota 2020 noted that, at least "77 percent of workers potentially impacted by a \$9.50 minimum wage are 20 years old and above, dispelling the myth that teenagers comprise the majority of those earning minimum wage".

Considering that 45 % of all current job openings in Minnesota are part-time it is important that Minnesota raises the minimum wage since its economic rebound has been driven by low-wage service sector jobs.

Workers Impacted

■ Below 20 Years Old ■ 20 Years Old & Above



The Minimum Wage & Its Impact On Selected Social Indicators

Increased family income will have a positive effect on the spending power of families and help them improve on a variety of social indicators.

Raising the minimum wage will support other poverty reduction and employment creation strategies and policies the State of Minnesota is currently working toward

like the Council on Black Minnesotans Full Employment Initiative HF 2025 and its Human Rights Expansion Legislation HF 1475⁴.

A study by Brookings Institute⁵ made revealing links between increased family income and children's academic performance. The study found a strong link between household income, particularly during a child's pre-school years, and children's academic performance. As little as \$1,000 more in annual income made a small but statistically significant improvement (0.015 standard deviation in reading and math) in children's school scores.



The Children Defense Fund in Minnesota argues that an increase in minimum wages means that, “children will be living in families who are more economically stable and, as a result, will have healthier childhoods”. Considering that over 23,000 black workers in Minnesota would benefit

⁴ <http://mn.gov/cobm/pdf/CoBM-2014-Legislative-Recommendations.pdf>

⁵ <http://www.brookings.edu/research/reports/2011/12/15-school-readiness-isaacs>

from the minimum wage there is evidence to suggest that this will be a step toward improving family income and childhood education.

With a poverty rate of 37.8% among the African American community, the minimum wage is a welcome addition to family income in the fight for better living standards.

Final Thoughts

While the majority of Minnesotans of African Descent would benefit from an increase in the minimum wage, it's equally important to note that a higher minimum wage would do nothing for the 15% of our community that are unemployed, down from 27% in 2009.

The Council believes raising the minimum wage to \$9.50 would be a great first step for all Minnesotans. This increase should also be indexed to inflation in order for our low wage workers to maintain the benefits of their increased purchasing power. Ideally, that there should be a pathway to a living wage



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About the Council on Black Minnesotans

The Minnesota Legislature created the Council on Black Minnesotans in 1980 to ensure that people of African heritage fully and effectively participate in and equitably benefit from the political, social, and economic resources, policies and procedures of the State of Minnesota

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